

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 IO-10 CIAE-00 COME-00 EB-07

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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02

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P 161838Z JUL 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC PRIORITY 3612

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BONN

AMEMBASSY BUDAPEST

AMEMBASSY BRUSSELS

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMCONSUL MUNICH

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C O N F I D E N T I A L SECTION 1 OF 2 BUCHAREST 3310

E.O. 11652: GDS

TAGS: PFOR, PINT, PINR, EGEN, RO

SUBJECT: FLOOD DAMAGE: POLITICAL AND ECONOMIC ASPECTS

1. SUMMARY: FLOOD DAMAGE, ALTHOUGH POSING CONSIDERABLE ECONOMIC SETBACK, HAS NOT DIMINISHED CEAUSESCU'S DETERMINATION TO SOMEHOW MEET PREVIOUSLY ESTABLISHED ECONOMIC GOALS. ALREADY HEAVY PRESSURE ON WORKERS FOR INCREASED OUTPUT IS RISING, WITH JUST ANNOUNCED NON-FLOOD-RELATED PRICE INCREASES ADDING TO CONSUMERS' BURDEN. ONLY SWEETENER SO FAR IS LARGELY
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SYMBOLIC 60-LEI/MONTH PAY INCREASE. POPULAR MORALE IS

LOW, AND CEAUSESCU CANNOT AVOID BEING ONE TARGET OF INCREASED PUBLIC DISCONTENT, BUT NO INSITUATIONAL THREAT TO HIS POSITION IS YET APPARENT AS JULY 21 PLENUM PREPARES TO ASSESS PLAN FULFILLMENT AND FLOOD IMPACT. END SUMMARY.

2. FULL POLITICAL AND ECONOMIC IMPACT OF FLOODS HAS YET TO BE FELT. ALTHOUGH HIGH WATER FROM INTERNAL WATERWAYS HAS IN MOST REGIONS BEGUN TO SUBSIDE, CRESTING OF DANUBE'S EASTERN-MOST LEG IS NOT EXPECTED UNTIL JULY 20-24. THREAT FROM THE DANUBE, WHICH HAS NOT YET CAUSED SERIOUS DAMAGE, WILL BE GREATEST ALONG THE REACH BETWEEN CALARASI AND GALATI, WHERE DIKES FLANKING THE RIVER'S COURSE THROUGH AGRICULTURAL LAND HAVE INTENTIONALLY BEEN KEPT LOW SO AS TO LESSEN THE DANGER OF FLOODING CITIES. MAJOR FLOODING BY DANUBE WOULD OF COURSE ADD TO ALREADY CONSIDERABLE AGRICULTURAL LOSSES WHOSE FULL EXTENT CANNOT YET BE MEASURED, AND COULD WELL CAUSE SERIOUS DISRUPTION AT SUCH INDUSTRIAL SITES AS TULCEA ALUMINA PLANT, BUILT ON HIGHLY UNSTABLE SEDIMENTARY SOIL.

3. LOSS OF LIFE AND THREAT TO HEALTH HAS BLESSEDLY BEEN RELATIVELY SMALL TO DATE, SINCE IN MANY REGIONS FLOOD WATERS ADVANCED AT DELIBERATE PACE. (REPORTS OF DEATHS HAVE BEEN KEPT OUT OF PRESS TO AVOID ALARMING POPULATION, ACCORDING TO ROMANIAN OFFICIALS, BUT THEY PRIVATELY PUT THEM AT ABOUT 60. REAL TOTAL MAY WELL BE HIGHER.) SOME TYPHOID DANGER TO PROVINCIAL WATER SUPPLIES MAY EXIST. ESTIMATES OF ECONOMIC LOSSES, HOWEVER, PAINT A SETBACK OF SERIOUS PROPORTIONS, ESPECIALLY IN VIEW OF ROMANIA'S AMBITIOUS ECONOMIC GOALS. SOME ECONOMIC STRAINS WILL INEVITABLY RESULT AS DAMAGED FACTORIES (SOME IN THE HARD-CURRENCY-EARNING SECTOR) HAVE TROUBLE BEETING EXPORT REQUIREMENTS, INDUSTRIAL DELIVERY RHYTHM IS DISRUPTED INTERNALLY, AND AGRICULTURE FAILS TO CONTRIBUTE ITS HOPED-FOR SHARE OF "VALUTA". SOVIET EMB ESTIMATES, PERHPAS TOO CONSERVATIVELY, 10-15 PERCENT LOSS OF GRAIN CROP.

4. THE BRUNT OF THE BURDEN HAS FALLEN ON RANK AND FILE WORKERS, WHO HAVE BEEN SWEEPINGLY MOBILIZED TO SALVAGE THE HARVEST, BUILD DIKES, AND PUT IN EXTRA HOURS (SUNDAY JULY 13 WAS WORKING DAY) TO MAKE UP FOR LOST PRODUCTION. DESPITE THE FLOODS, CONFIDENTIAL

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CEAUSESCU IS STILL CALLING FOR COMPLETION OF THE 1971-75 FIVE YEAR PLAN AHEAD OF SCHEDULE, AND EXTRA HOURS AND CANCELLED VACATIONS ARE ALREADY IN EFFECT FOR MANY WORKERS, ALONG WITH PRESSURE ON RELATIVELY UNSCATHED SECTORS OF INDUSTRY TO RAISE PRODUCTION LEVELS EVEN HIGHER TO COMPENSATE FOR LOSSES ELSEWHERE.

5. AN UNWELCOME BIT OF NEWS FOR THE ROMANIAN CONSUMER OVER

THE WEEKEND WAS RETAIL PRICE INCREASES FOR SUCH ITEMS AS HEATING OIL (UP 103 PERCENT), NATURAL GAS (25 PERCENT), SOME CONSTRUCTION MATERIALS, SHOES AND OTHER LEATHER GOODS, SOME FURNITURE, SPORTING GOODS, AND SOME SERVICES SUCH AS SHOE REPAIR (27 PERCENT), CLOTHES MENDING (39 PERCENT), AND AUTO REPAIR (15 PERCENT). PRICE INCREASES FOR HARD LIQUOR AVERAGING 40-50 PERCENT HAVE ALSO JUST GONE INTO EFFECT. THE PRICE INCREASES ARE PART OF CONTINUING PROGRAM TO ENSURE THAT SALE PRICES AT LEAST RECOUP PRODUCTION COSTS AND IN OUR JUDGMENT ARE ONLY PARTLY OFFSET BY AN ACROSS-THE-BOARD PAY INCREASE OF 60 LEI A MONTH. THE ROMANIAN PUBLIC WAS TREATED TO THE USUAL "STATISTICS" DEMONSTRATING THAT PRICE INCREASES HAVE AVERAGED WELL UNDER ONE PERCENT ANNUALLY SINCE 1970. COMING IN THE MIDST OF HARD TIMES, HOWEVER, WHEN PANIC BUYING OF FOOD HAS ALREADY TAKEN PLACE AND COOKING OIL, SUGAR AND MEAT ARE AGAIN IN SHORT SUPPLY, SUCH PRICE INCREASES MIGHT BE CONSIDERED EXCESSIVE BY EVEN A LONG-SUFFERING PEOPLE, AND WE WILL BE WATCHING FOR SIGNS OF DISCONTENT IN COMING WEEKS. (EE EMBOFFS ARE PURVEYING SPECULATION THAT LONG-AWAITED PRICE RISES WERE DELIBERATELY PROMULGATED WHEN MOST OF POPULACE TOO PREOCCUPIED WITH FLOODS TO MANIFEST DISPLEASURE.) WE WOULD BE SURPRISED IF SOME LABOR SLOWDOWNS, PROTESTS AT SUPPLEMENTARY HOURS, AND CONSUMER DISCONTENT FAIL TO OCCUR. HIGHER COSTS OF CONSTRUCTION MATERIALS SEEM PARTICULARLY ILL-TIMED WHEN CONSIDERABLE REPAIR OF PRIVATELY-OWNED RURAL HOMES WILL BE NECESSARY. HIGHER RURAL CONSTRUCTION AND REPAIR COSTS WILL LIKELY BE REFLECTED IN

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ACTION EUR-12

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L-03 NSC-05 PA-01 PRS-01 SS-15 AGR-05 FEA-01 /101 W

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P R 161838Z JUL 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC PRIORITY 3613
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
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C O N F I D E N T I A L SECTION 2 OF 2 BUCHAREST 3310

HIGHER PRICES FOR ALREADY-DIMINISHED STOCKS OF FRUITS AND
VEGETABLES RAISED ON PRIVATE PLOTS AND SOLD IN FARMERS'
MARKETS.

6. AMONG PARTY RANKS, POLITICAL CONSEQUENCES, AT A MINIMUM,
WILL INVOLVE A SEARCH FOR SCAPEGOATS AND SOME RESHUFFLING OF
PARTY AND STATE OFFICIALS, CEAUSESCU'S STANDARD REACTION
TO SETBACKS. THIS YEAR'S FLOODS AT LEAST POTENTIALLY BRING
INTO QUESTION KEYSTONE OF CEAUSESCU'S ECONOMIC POLICY:
RAPID INDUSTRIALIZATION WITH RELATIVE NEGLECT OF EVERYTHING
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ELSE -- ESPECIALLY JUST AS JULY 21 PLENUM IS SET TO REVIEW
PLAN FULFILLMENT.

7. POTENTIALLY TROUBLESOME QUESTION IS WHY FLOOD-CONTROL
MEASURES, WHICH WERE DECREED AFTER 1970 FLOODS AND COULD
HAVE HELPED LIMIT THIS YEAR'S LOSSES, WERE SO INADEQUATELY
CARRIED OUT. GENERALLY ACCEPTED ANSWER IS THAT ONCE MEMORY
OF 1970 DISASTER HAD BEGUN TOFADE, PRIORITIES WERE ONCE
AGAIN SHIFTED, BY HIGHEST AUTHORITY, BACK TO BREAKNECK
INDUSTRIALIZATION, ON WRONG ASSUMPTION 1970 WAS EXCEPTIONAL
CLIMATIC EVENT. TO BE SURE, IN 1974 INCREASING ATTENTION
BEGAN TO BE PAID TO IRRIGATION NEEDS IN LIGHT OF
LONG DROUGHT. DURING VISITS TO FLOODED AREAS EARLY THIS
MONTH, CEAUSESCU REPEATEDLY REFERRED TO FAULTY IMPLEMENTATION
OF POST-1970 FLOOD-CONTROL DIRECTIVES AS MAJOR FACTOR IN HIGH
FLOOD DAMAGE. HE LATER SHIFTED HIS TACK TO A MORE GENERAL
CRITICISM OF INADEQUACIES OF LOCAL OFFICIALS, MAINTAINING
THAT PARTY LEADERSHIP HAD OFFERED AMPLE GUIDANCE FOR
LIMITING DISASTERS, IF ONLY IT HAD BEEN
FAITHFULLY

FOLLOWED. HIS COUNTER-OFFENSIVE WAS PARTICULARLY SCATHING IN BRASOV, WHERE VIRGIL TROFIN, KNOWN AS A CEAUSESCU CRITIC, HAS BEEN EXILED AS FIRST SECRETARY, PLUS PRAHOVA AND HUNEDOARA. IN HIS MOST RECENTLY PUBLISHED STATEMENT ON FVBOODS (INTERVIEW JULY 13 WITH AUSTRIAN REPORTERS), CEAUSESCU FURTHER MODIFIED HIS STAND ON THE POST-1970 FLOOD-CONTROL MEASURES TO SAY THAT IT HAD NEVER BEEN CONTEMPLATED TO CARRY THEM OUT IN ONLY FOUR OR FIVE YEARS -- 10 OR 15 YEARS WOULD BE REQUIRED. HE REITERATED A SOMEWHAT Milder CRITICISM OF LOCAL OFFICIALS WHO HAD NOT ACTED WITH SUFFICIENT ALACRITY TO MINIMIZE DAMAGE. HE EVEN POINTED TO THE CURRENT WAGE INCREASES AS A SIGN THAT ROMANIA FEELS ABLE TO OVERCOME THESE DIFFICULTIES. WHILE RAISING THE ESTIMATE OF THE NUMBER OF DAMAGED FACTORIES TO 200 FROM PREVIOUSLY CIRCULATED FIGURE OF 150, CEAUSESCU SAID MOST WERE ALREADY OPERATING NORMALLY AND HE WAS CONVINCED "ALL LOSSES" IN BOTH INDUSTRY AND AGRICULTURE WILL BE MADE UP BY END OF YEAR, PRESUMABLY BY ACCELERATED PRODUCTION SCHEDULES. OTHER GOR OFFICIALS ARE PAINTING GRIMMER PICTURE OF FLOOD EFFECTS DURING THEIR APPEALS FOR FOREIGN ASSISTANCE (SHILE MEDIA HAVE BEEN TOLD TO ESCHEW DETAILS ON FLOODS TO ENSURE PUBLIC CALM).

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8. WE CONCLUDE THAT CEAUSESCU'S POPULARITY, AND THAT OF MANY LOCAL OFFICIALS, IS AT CURRENT LOW. HIS PRESUMED INTENT FOR A TRIUMPHAL JULY CONCLUSION TO THE "CEAUSESCU DECADE" (9TH CONGRESS ANNIVERSARY) AND AT LEAST SOME AHEAD-OF-SCHEDULE PLAN FULFILLMENT HAS BEEN DEALT PAINFUL BLOW. UNTIMELY IMPOSITION OF PRICE INCREASES HAS ADDED TO POPULAR CYNICISM, PARTICULARLY SINCE NO COMPREHENSIVE RELIEF PROGRAM FOR FLOOD VICTIMS HAS YET SEEN LIGHT. NEXT BENCHMARK, HOWEVER, WILL COME AT JULY 21 PLENUM: WE SEE CONTINUED DETERIORATION OF POPULATION'S MORALE, CEAUSESCU'S INCREASED VUNERABILITY TO REGIME CRITICS, BUT NO VISIBLE INSTITUTIONAL THREAT TO HIM AT PRESENT.

9. IF CEAUSESCU WERE SEEKING A CHANCE TO RELAX PRESSURE ON AN ALREADY BURDENED POPULATION, NOW WOULD HAVE BEEN THE TIME TO DO IT, NOT INTERMS OF REHABILITATION AND CONCINUED FLOOD PREVENTION, BUT RATHER IN A SCALING DOWN OF TARGETS. THIS HE HAS SO FAR REFUSED TO DO, PROBABLY BECAUSE HE THINKS THE ROMANIAN PEOPLE CAN TAKE STILL MORE AND BECAUSE HE IS A PRISONER OF TSHTWN OBSESSIONS AND POLICIES. HE COULD ALSO HAVE MADE MORE OF A PUBLIC ATTEMPT TO SEEK FOREIGN ASSISTANCE, AND TRIED TO SHARE THE BURDEN THAT WAY. IF THE COMMENTS EARLIER THIS WEEK OF THE SOVIET AMBASSADOR THAT THE MOST THE SOVIETS MIGHT DO WOULD BE TO MOVE UP SOME DELIVERIES ARE INDICATIVE, THEN CEAUSESCU WOULD HAVE CONCLUDED THERE IS LITTLE HELP FROM THAT QUARTER. THE

ATTEMPTS TO OBTAIN LONGER-TERM SORTS OF ASSISTANCE FROM
OTHER COUNTRIES REFLECT NOT ONLY THE SERIOUSNESS OF THE
PROBLEM BUT AGAIN THE STUBBORN UNWILLINGNESS TO
GIVE UP ON THE AMBITIOUS ECONOMIC DEVELOPMENT GOALS HE
SEES AS ESSENTIAL.
BARNES

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